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Anglo-Japanese Rivalry in Southeast Asia

BY ERNEST O. HAUSER

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Anglo-Japanese Rivalry in Southeast Asia

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with the aid of the Research Staff of the Foreign Policy Association

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YUKIO OZAKI, veteran liberal and former Minister of Justice, speaking in the Japanese Diet on February 17, 1937, urged the government to state definitely whether Japan intended to expand to the south or the north. Premier Hayashi replied on behalf of the government that "Japan cannot always concentrate on one direction. We have to use our power in accordance with prevailing circumstances."¹

Japan's expansion in recent years has taken place chiefly in two directions. The northward thrust, which aims to give Japan a foothold on the Asiatic continent, especially in Manchuria, Mongolia and the northern provinces of China proper, differs in cause and effect from the thrust toward the countries of southeastern Asia. The two movements, however, are but different aspects of a single expansionist policy.

Recent developments in the Far East suggest that Japan's drive in the north, which had reached its peak with the conquest of Manchuria in 1931-1932, is beginning to slow down. Disappointment with the actual benefits derived from Manchoukuo has supplanted the enthusiasm of Japanese capitalists who sponsored the Manchurian campaign five years ago in the expectation of large national and private profits. More than a billion yen, aside from military expenses, has been spent on the new state since its conquest, and the returns on this investment are small as yet. Although the time may not be ripe for definitely judging the experiment carried on under Japanese management, Manchoukuo has so far proved unrewarding both as an area for settlement of a large percentage of Japan's surplus population and as a remedy for Japan's shortage of markets and industrial raw materials.²

1. *New York Times*, February 18, 1937.

2. For detailed reports on Japanese disappointment over Manchoukuo, cf. *Far Eastern Survey*, November 20, 1935; December 18, 1935; March 12, 1936; and March 3, 1937; cf. also *New York Times*, March 7, and May 9, 1937.

At the same time military operations in northern China and Inner Mongolia, which seemed to mark a new stage in Japan's continental drive, have suffered a serious setback. A large part of the Manchoukuan troops which marched into Chahar during the unsuccessful Suiyuan campaign are being withdrawn to Jehol.³ The scheme for an "autonomy" movement embracing the five great northern provinces of China has been put into practice on a very restricted scale, and Japanese pressure on the Nanking Government, owing to a stiffening public opinion in China, has assumed the form of diplomatic negotiations instead of open intimidation.

These signs may indicate either a definite change of policy or a temporary standstill. Behind this rapidly changing scene, however, are facts from which observers may draw certain conclusions regarding the future course of Japan's foreign policy. The dynamic force largely responsible for the continental drive and its successes has been the Japanese army. With the strong support of both the masses and the capitalists, the army had been able to carry out its program in the north and to secure the appropriations necessary to strengthen its hold on Manchuria and north China. Since 1935 unsuccessful military operations, the revolt of February 1936 and, still more recently, such moves in the diplomatic field as the Japanese-German agreement against the Communist International—for which the military are held chiefly responsible—have served to lower the prestige of the army at home.⁴ Large numbers of people whose chances of economic improvement have been upset by military expenditures are beginning to express their discontent, and even members of the army-supported Hayashi government have repeatedly warned the army to keep out of politics.⁵

3. *New York Times*, March 13, 1937.

4. For details, cf. Sterling Fisher, Jr., *New York Times*, February 20, 1937.

5. *New York Times*, March 8, 9, 12, and 16, 1937.

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This situation, which for the present seems to make another northward push improbable, opens new possibilities for Japan's southward thrust. The southward expansion policy had been hitherto overshadowed by developments in the north, enjoying scant popularity and little support from either the masses or the capitalists. Today, there are several signs that the southward expansion policy is about to assume the importance once enjoyed by the army's policy.

While Japan's continental drive is sponsored by the army, whose interests have centered on Korea and Manchuria, the power behind the oceanic or southward policy is the navy, which for historical reasons has focused its attention on the south.⁶ Economic and political factors, coupled with deep personal rivalry between army and navy circles, have perpetuated this division of interests to the present day. Professional jealousy is evident from an article published by Professor Tadao Yanaihara, of the Tokyo Imperial University,^{6a} who, after stressing the failure of the Manchurian policy, declares: "Moreover, because the Navy has no direct connection with the work of development there, some apprehension exists that the continental situation will add only to the Army's prestige . . . and it is not surprising that the Navy is insisting upon southward expansion as one of the national policies."

Japan's economic penetration and the establishment of Japanese settlements overseas are bound to make the protection of oceanic highways a vital necessity for the Japanese nation. The navy's rôle in protecting these highways would place it in the spotlight of national interest. Moreover, the fact that Japan is an oceanic nation with a natural predilection for the southern seas furnishes a sound basis for a policy emphasizing southward expansion. Finally, there is Japan's lack of raw materials, which has not been satisfied by expansion on the Asiatic mainland. The territories referred to as "south," in the sense of the navy's policy, produce 85 per cent of the world's rubber and 94 per cent of its hemp, possess the largest oil fields in the Far East and abound with iron, tin, sugar and tobacco.⁷ The navy's special need for oil must be stressed in this connection.⁸

Private enterprises with vested interests in the south have lined up with the navy in demanding a strong southern policy. Kaichiro Ishihara, an outstanding shipping man and president of the Ishihara Industry and Marine Transport Company which owns large iron deposits in British Malaya, has stated that "Japan's southward policy will solve the political, economic, thought [*sic*], social and other questions confronting it."⁹ Until very recently, however, the Japanese government has been slow in recognizing these arguments, and the navy's program has enjoyed a minimum of government support as compared with that given to the continental drive of the army.

DEVELOPMENT OF FORMOSA

The natural fitness of Formosa as a springboard for a southern drive has been emphasized by supporters of this program ever since China ceded the island to Japan after the Sino-Japanese War of 1894-1895. Little was done, however, to develop the military position of this southern outpost. Even in recent years it was valued largely because of the facilities it offered for the economic and political penetration of south China.¹⁰ It was only in 1935 that the island's importance as the center of a more far-reaching policy was recognized. The Department of Overseas Affairs approved a Ten-Year Plan for the development of Formosa, whose outstanding point was "the policy of aiding the development of Japanese interests in South China and in the South Seas."¹¹ The program was to involve an expenditure of ¥200,000,000.¹²

When Navy Minister Osami Nagano took office in March 1936, he was reported to have reached an understanding with Premier Hirota and Finance Minister Baba under which full consideration was

oil supplies on the Asiatic continent have largely failed, and its intention to buy the northern half of Sakhalin Island was not put into practice, due to the Soviet Union's recent interest in its own oil resources. (*Ibid.*, March 8, 1935.) Ninety per cent of Japan's refined oil products are still derived from imports. (*Ibid.*, August 26, 1936.) The difficult oil situation is indicated by a proposed ordinance forbidding taxis to cruise in search of fares. (*Japan Weekly Chronicle*, July 16, 1936.) For statement of Navy Minister Yonai that the Japanese navy "has enough oil in store to sustain a protracted war if it broke out now," cf. *New York Times*, March 25, 1937.

9. *Transpacific*, January 30, 1936, p. 21.

10. Recent incidents in Amoy, Swatow and Pakhoi. Cf. Chen Han Seng, *Far Eastern Survey*, November 4, 1936, pp. 231-36.

11. The term "South Seas" (*nanyo*) in Japanese refers primarily to the islands south and east of Asia and the countries of the Indo-Chinese peninsula. It might be said that to the Japanese mind the term *nanyo* indicates all lands to the south of Japan reached by sea.

12. *Far Eastern Survey*, December 4, 1935, p. 195.

6. Robert Karl Reischauer, "The Disunity of the Japanese Militarists," *Amerasia*, March 1937, pp. 28-33.

6a. *Japan Weekly Chronicle*, June 4, 1937.

7. Cf. the study by Chen Han Seng, *Far Eastern Survey*, November 4, 1936.

8. The great coal liquidation scheme in Manchuria of the South Manchuria Railway Company, carried out in cooperation with naval authorities, has proved uneconomic. (*Far Eastern Survey*, August 26, 1936.) Japan's efforts to obtain sufficient

given to the navy's southward policy.¹³ As a result of its efforts to enlist the cooperation of the War, Foreign Affairs, Overseas and Commerce departments, the navy came to the conclusion "that the Foreign Office had been too indifferent to the necessity of expansion to the South and should be asked to launch a more vigorous program in this direction."¹⁴

During the 1936 summer session of the Japanese Diet Mr. Nagata, Minister of Overseas Affairs, stated that "he felt the necessity of Japan's development southwards." He expressed the belief that "Japan's attention has hitherto been engrossed too much with developments on the Asiatic continent."¹⁵ The government's efforts culminated in the creation by the Diet of a new economic body, consisting of two trading companies which were to absorb and unite the various economic interests of Japan scattered over the South Seas area. The companies were modeled after other semi-official large-scale enterprises peculiar to the Japanese system. The "Taiwan Development Company" has a capital of ¥30,000,000, half of which has been subscribed by the Government General of Taiwan (Formosa) in the form of government-owned land.¹⁶ The control of the company is with the government, the directors and principal officers being named by the Governor General of Taiwan with the approval of the Japanese Overseas Minister.¹⁷ The company is to extend its activities to south China and the South Seas Islands, working in cooperation with the "Nanyo (South Seas) Development Company." The latter body was established on November 27, 1936 with a capitalization of ¥20,000,000, the government's share amounting to ¥10,546,000. Its activities are to be carried on in Japan's mandated islands, the Netherlands Indies, French Indo-China and Siam.¹⁸ Shortly afterwards the Japanese Foreign Office, in its desire "to bring into harmony its policies in regard to three areas—Russia, China and the South Seas," established a new "South Seas Section" which handles diplomatic relations with the Philippine Islands, Australia, New Zealand, the Netherlands Indies and French Indo-China.¹⁹

In Formosa the new policy took the form of striking administrative changes. Admiral Kobayashi was appointed Governor General of the col-

ony, and his rank was raised to equal that of the Ambassador to Manchoukuo and the Governor General of Chosen (Korea). It was understood that this office was in future always to be given to a navy man. The Japanese press promptly interpreted the move as evidence that the same emphasis would henceforth be placed on the southern policy as on the continental thrust to the north.²⁰ The island's military defense force was increased to 25,000 men, while the second and third Japanese fleets were combined into a naval unit. A chain of air fields capable of accommodating a full air squadron was constructed. The most significant feature of the change, however, was the fact that the economic and military center of gravity was shifted from the northern to the southern end of the island.²¹ Simultaneously, Governor General Kobayashi announced his plan to visit South China, Hong Kong, Indo-China, Siam and the Philippines, "with the object of promoting friendship and advancing trade and economic relations."²²

Looking south from Formosa, Japan faces a situation entirely different from the continental scene of its northward drive. In Manchuria the army threw its force into a political vacuum, where questions of sovereignty were still partially unsettled and Western interests amounted to nothing more than commercial ties and spheres of influence. In the south, great Western powers guard their colonial empires: the United States, France, Portugal, Holland and, in particular, Britain are the sovereign masters of the territories involved in Japan's "southern policy." Under the circumstances, this policy cannot primarily be one of conquest, as it was in the north. Attempts at territorial encroachment would meet a more formidable resistance than Japan experienced in the outlying sections of China.

The means of advancing southward must necessarily be peaceful. The chief aim of the newly organized, government-supervised machine for southward expansion is economic penetration. Much had already been achieved in this direction.

13. *Transpacific*, April 23, 1936.

14. *Ibid.*, September 24, 1936.

15. *Japan Weekly Chronicle*, June 4, 1936.

16. *Contemporary Japan*, September 1936.

17. *Far Eastern Financial Notes*, October 4, 1936.

18. *Transpacific*, September 10, 1936.

19. *Ibid.*; also *Manchuria*, August 15, 1936, p. 143.

20. *Far Eastern Survey*, November 4, 1936, pp. 231-36.

21. *Ibid.*

22. *Japan Weekly Chronicle*, November 5, 1936. The Japanese government "has been induced to sanction this journey because the appointment of a naval officer as Governor of Formosa was misread abroad as having connection with the southward policy the navy is supposed to favor. It is believed Admiral Kobayashi's explanations of Japan's southward policy will have a reassuring effect. He will repeat that Japan simply desires to expand her commerce in the South Sea markets and is willing to assist in developing natural resources there and thus raise the natives' purchasing power." (*New York Times*, April 5, 1937.)

by private interests before the navy's energetic propaganda and other circumstances mentioned above induced the government to lend its powerful assistance to these officially neglected activities.

JAPAN AND THE NETHERLANDS INDIES

The Netherlands Indies—scattered over an area almost as large as that of the United States, covering 736,000 square miles and inhabited by 65 million people—have offered the greatest opportunity for Japanese commercial penetration. The islands hold an important place among producers of tropical raw materials. Before the depression they produced 94 per cent of the world's quinine, 80 per cent of the kapok, 70 per cent of the pepper, 30 per cent of the rubber, 17 per cent of the tea and 10 per cent of the sugar.²³ The islands also possess the only large oil fields known to exist in this region and are now furnishing 3 per cent of the world's crude oil.²⁴ Their iron deposits, if carefully developed, may prove to be of great significance. Three gold mines are being exploited in Sumatra.²⁵

The bulk of these raw materials had been exported to Western countries, which in turn shipped their manufactured commodities to the islands. The policy of the Open Door was long considered an outstanding feature of Dutch commercial policy. Japan's share of total Netherlands Indies imports was very modest until recently, averaging 1.25 per cent over the 1909-1913 period. During the war (1914-1918) this share rose to 10.04 per cent, and from 1919 to 1923 remained at an average level of 9.77 per cent. As late as 1928 the Japanese share did not surpass 10 per cent.²⁶ In December 1931 Japan left the gold standard, and at the end of the resulting currency race emerged with an exchange rate 20 per cent less than the devalued currencies of the Anglo-Saxon countries. The monetary advantage of the cheap yen, as compared with the currencies of countries like Holland and France which remained on the gold standard, was still more striking. Japanese industry was at the same time well equipped for a gigantic trade attack. Japan's share in the Netherlands Indies market jumped to 16.38 per cent in 1931, and to 30.96 in 1933.²⁷

23. *Far Eastern Survey*, February 12, 1936, p. 36.

24. United States, Department of Interior, *Mineral Yearbook*, 1936, pp. 52-53.

25. Cf. H. Foster Bain, "Singapore's Control of Key Mineral Resources," *Foreign Affairs*, July 1929.

26. *Annual Report of the President of the Java Bank*, 1934, p. 55.

27. *Ibid.*

The influx of cheap Japanese commodities had at first been accepted rather cheerfully by the Dutch authorities. Between 1928 and the end of 1932 prices of agricultural commodities—the chief export of the islands—fell to ruinously low levels in the world market. The standard of living of the indigenous population was rapidly approaching a point just short of economic catastrophe. Japanese prices met the island's decreased purchasing power, thus compensating for lower incomes and preventing the growth of discontent among the natives.²⁸

Had this development got out of control—and the open door policy did not offer any means of curbing it—the region might have been threatened by a Japanese trade monopoly. Imports from Holland, which had amounted to 33 per cent of the Netherlands Indies' total imports in 1913, had fallen to 12.37 per cent in 1933. Thus the Netherlands, which formerly held first place, moved down to second; Britain, which held second place in 1913, was fourth by 1933; Japan, within two decades, had risen from eleventh place to first. In 1933 imports from Japan exceeded those from Holland, Britain and Germany combined.

The President of the Java Bank, in his annual report for 1934, stated that it was "now practically impossible to name any categories of goods in which the European and American industries can compete with those of Japan." The majority of imports from Japan consisted, however, of cotton piece goods, in which Japanese manufacturers had attained a practical monopoly. Japan's share of the East Indies' cotton textile imports as compared with the share of other manufacturing countries is evident from the following table:

EAST INDIES COTTON TEXTILE IMPORTS²⁹
(per cent of total yards imported)

	1928	1933	1934
Holland	25.57	4.40	7.34
Britain	27.10	4.04	2.79
Japan	30.82	82.81	83.11

Japan also held a practical monopoly with respect to several other products, such as Portland cement, acetic soda, guano, superphosphates, paint, earthenware and porcelain, tiles, bottles, glasses, electric light bulbs, rubber shoes, cycle tires, umbrellas and bicycles.³⁰ In addition, Japanese mer-

28. Cf. Amry Vandenbosch, *Far Eastern Survey*, February 12, 1936; John C. Le Clair, "Japan's Trade with the Netherlands Indies," *Foreign Affairs*, January 1937; E. D. Van Walree, "Economic Relations of the Netherlands Indies with other Far Eastern Countries," 1936, p. 23.

29. *Java Bank Reports*, cited, 1934 and 1935, p. 45.

30. For details, cf. *Straits Times*, September 21, 1936.

chants, shippers and bankers made a partially successful attempt to encroach on the retail trade in the islands.³¹ What most alarmed the Dutch authorities, however, was the fact that Japan did not buy enough in the Netherlands Indies to compensate for its sales. In 1933 Japan furnished 30 per cent of the Netherlands Indies' imports, but absorbed less than 5 per cent of its total exports.³² In 1934 Japan exported goods for ¥158,450,525 to the islands, in exchange for imports valued at ¥63,464,068.³³ The Netherlands Indies' balance of trade with Western countries, on the other hand, was active. These countries bought the bulk of the colony's products, and were in a position to ask for larger imports of Western goods, even if those goods were more expensive and, generally speaking, not superior in quality to Japan's competitive commodities.

By 1933 the Dutch authorities were in a position to act since the purchasing power of the islands had been in part restored. Rising prices for raw materials had brought about a measure of recovery and economic stabilization which facilitated an attempt to defy the traditional Open Door policy. When a quota was placed on imports of cement in June 1933, in order to protect the only cement factory of the islands,³⁴ Japanese opinion was aroused. Rumors that the Dutch authorities intended to impose a more extensive restriction scheme involving other commodities and to curb Japanese distribution in the islands induced the Japanese to participate in a conference for the purpose of rectifying the 3 to 1 preponderance of trade. A Japanese-Dutch trade conference, which opened at Batavia in the summer of 1934, lasted for eight months but ended without reaching any agreement. Although Japanese representatives expressed their willingness to buy more from the islands, they would not promise to buy specified quantities of Netherlands Indies' products.

An extensive Dutch restriction scheme was then put into effect. The Crisis Import Ordinance imposed quotas on certain commodities, and their scale was broadened in subsequent years. As an outcome of the ordinance, imports from Japan decreased from ¥158,450,525 in 1934 to ¥143,041,225 in 1935, and ¥129,495,167 in 1936.³⁵ The growth of Japanese retailing business in the islands is effectively curbed by the Import Licensing Ordinance,

which is applicable to more than 50 groups of commodities.³⁶

Japanese encroachments on freight transportation between Japan and the islands—until recently a matter of grave concern for the Dutch authorities—has also come to an end. The freight traffic between Japanese ports and the Netherlands Indies had been handled by one Dutch line—the Java-China-Japan Lijn—and three Japanese companies—Ishihara Industrial Company, Osaka Shosen Kaisha and Nanyo Yusen Kaisha. Equal freight rates among these shipping concerns had been stipulated by the Java Conference signed in 1933. Both the Japanese and the Dutch, however, contravened the agreement by granting discounts, and new negotiations for the purpose of eliminating competitive actions were opened in 1934. The Dutch intended to deal with the question within the framework of the official Batavia Conference but this was opposed by Japanese shippers, and the parties therefore agreed to call an independent and private shipping conference in the spring of 1935 at Kobe. Dutch representatives arrived in Japan in February 1935, but the parties did not enter into negotiations because of a deep cleavage of opinion. The freight war went on and, due to a split among Japanese shippers, the Dutch line succeeded in carrying as much as 70 per cent of the entire freight although the Japanese lines had more cargo space.

At this point, since low competitive rates threatened to ruin the shipping lines, both governments took the initiative in directing the freight war. Under pressure from the government, the three Japanese lines merged under the name of Nanyo Kaiun Kaisha, and were headed by an official of the Ministry of Communications. The Nippon Yusen Kaisha, which had not previously operated on the Java run, was induced to participate in the pool. On the Dutch side, the government was empowered by a new bill to require that a certain percentage of goods be imported in Dutch bottoms. On June 8, 1936 an agreement was reached in Batavia between Dutch and Japanese shipping concerns. This agreement, which ended a three-year freight war, allows Japanese shipping lines to carry 64.25 per cent of all available cargo from Japan to the Netherlands Indies and 60 per cent of the homeward cargo, the remainder being allotted to Dutch vessels.³⁷

31. *Far Eastern Survey*, February 12, 1936.

32. *Java Bank Report*, cited, 1934, p. 55.

33. Tokyo, Department of Finances, *Monthly Returns of the Foreign Trade of Japan*, December 1934.

34. *Java Bank Report*, cited, 1934, p. 55.

35. *Monthly Returns of the Foreign Trade of Japan*, cited, December 1936.

36. *Java Bank Report*, cited, 1936.

37. *Far Eastern Survey*, August 14, 1935, pp. 129-30; January 20, 1937, pp. 25-26; February 3, 1937, p. 30. Cf. also *International Gleanings from Japan*, June 15, 1936, and *Neue Zuercher Zeitung*, August 8, 1935.

This agreement is of particular importance for future relations between the two countries, since the freight war had been carried on without compromise and caused considerable ill feeling. Other recent signs indicate that the work begun at Batavia in 1934 may yet be brought to a satisfactory conclusion. Japan has been increasing its purchases in the Netherlands Indies, with imports rising from ¥63,464,068 in 1934 to ¥78,186,575 in 1935, and ¥113,545,919 in 1936.³⁸ The Japanese share of total exports, which had amounted in 1933 to 4.87 per cent, has risen to 5.35 per cent in 1935.³⁹ Japan still demands an end to restrictions on Japanese imports and business, but a more conciliatory tone may be discerned and, with the newly devalued Dutch guilder as stimulus for more extensive buying, a trade agreement satisfactory to both parties is not impossible.⁴⁰

The importance of the Netherlands Indies for Japan's southern policy is not limited to commercial aspects. In his book, *Japan Must Fight Britain*,⁴¹ Lieutenant-Commander Tota Ishimaru remarks with regard to the islands: "It is no exaggeration to say that they constitute the strategical key to Australia, New Zealand, and India, not to mention Singapore." Although individual utterances like this may not meet with the approval of the Japanese Foreign Office, the fact remains that the strategical importance of the islands has been recognized by Japan as well as by Britain.

Britain's vital interest in preserving the status quo in the Netherlands Indies is due to their geographic position as a bridge between Singapore and the dominions of Australia and New Zealand. The proximity of the islands and their abundance of natural harbors, moreover, would threaten British rule in Malaya if at any time the Indies were dominated by a strong and possibly anti-British power.

The chief problem, from the British point of view, lies in the fact that Holland is too small and too weak to cope with the task of defending this far-flung empire in the East. It has been said that Holland has retained the islands for two centuries "only by sufferance of Great Britain."⁴² This does not mean, however, that it is part of the Netherlands policy to depend entirely on foreign, in particular British, help. The Dutch Premier, Hendryk

Colijn, explained in a parliamentary statement on February 18, 1937⁴³ that the Netherlands, with its colonial empire lying "in a serious danger zone," might become involved "in a calamity of indefinite dimensions." On the same day the Lower House of the Dutch States General passed the Netherlands Indies budget for 1937, which included 95,500,000 guilders for defense as compared with 88,900,000 in 1936. An additional 43,000,000 guilders, it was announced, will be spent for East Indian defense during 1937-1938. The Netherlands now has fifteen submarines in the Indies, which are soon to be increased to eighteen. There are, besides, a torpedo flotilla and three modern cruisers.⁴⁴ The new air-force equipment includes forty Glenn Martin bombers ordered from the United States. Submarine and seaplane bases have been constructed on the coast of New Guinea.⁴⁵ The Dutch authorities have also taken a strong stand against Japanese attempts at peaceful encroachment on Netherlands Indies territory. A suggestion in the Japanese Parliament that Japan obtain Netherland New Guinea on "perpetual lease" met with the unofficial answer that the East Indies administration would go no further than the concessions granted on Open Door lines.^{45a} Negotiations conducted in 1933 by Mr. Matsuoka on behalf of the Japanese government for the creation of Japanese air bases in the archipelago also proved futile.^{45b} Britain appears to be the power behind the firmness of the Netherlands in dealing with Japan. Yet this situation does not necessarily lend credence to rumors of a secret British-Dutch understanding for the military protection of the islands. In this connection, the closely interlocked British-Dutch oil interests may be mentioned. The Royal Dutch Shell Company, through the Bataafsche Petroleum Maatschappij, controls most of the oil output of the islands. The investments of this Anglo-Dutch concern in the Indies amount to about 600,000,000 guilders.^{45c}

FRENCH INDO-CHINA AND PORTUGUESE POSSESSIONS

Similar concern for Britain's strategic position in the Far East causes the British Foreign Office to watch developments in the French and Portuguese

38. *Monthly Returns of the Foreign Trade of Japan*, cited, December 1936.

39. *Java Bank Report*, cited, 1936.

40. In October 1936 preliminary Dutch-Japanese negotiations for a second trade conference were begun at Soerabaya. *Far Eastern Survey*, January 20, 1937, pp. 25-26.

41. London, Hurst & Blackett, 1936, p. 195.

42. Amry Vandenbosch, *The Dutch East Indies* (Grand Rapids, Mich., Erdmans, 1933), p. 326.

43. *New York Times*, February 19, 1937.

44. *Ibid.*, March 7, 1937.

45. *Ibid.*, February 19, 1937; *The Times* (London), March 20, 1937.

45a. *New York Times*, March 2, 1937.

45b. O. Tanin and E. Yohan, *When Japan Goes to War* (New York, 1936), p. 13.

45c. For capitalization and investments, cf. *Amsterdamsche Effectenblad*, June 17, 1936.

Far Eastern possessions as closely as in the Netherlands Indies. Both the French and the Portuguese colonies are sufficiently near British possessions to become a menace if held by hostile powers. Neither France nor Portugal would be able to protect those territories against a strong enemy in the East.

In contrast to the Dutch Empire, French Indo-China has not been exposed to large-scale economic penetration by Japan. The colony covers 285,000 square miles, has a population of 20 million and is rich in partially exploited raw materials. The mainstay of its economic life is rice cultivation. There are also large deposits of high quality coal, resources of wood, tin, phosphates, precious stones, and the possibility of high-quality rubber production.⁴⁶ Coal exports to Japan have recently increased,⁴⁷ but France's high protective tariff has kept Japan from developing its trade with the colony. By ordinance of August 4, 1932 the French quotas concerning imports from foreign countries were made applicable in Indo-China, and a special ordinance of July 20, 1932 imposed quotas on the import of cotton goods from Japan.⁴⁸ Japanese imports entering the colony are also liable to an exchange compensation surtax of 25 per cent of the assessed duties.⁴⁹

During the first nine months of 1936 French Indo-China imported 23,730,000 francs' worth of goods from Japan, as compared with total imports amounting to 707,226,000 francs. For the same period in 1935 the figures were 20,081,000 and 672,975,000 francs, respectively. During the first nine months of 1936, Japan bought goods in Indo-China valued at 46,188,000 francs, or about twice as much as it sold.⁵⁰ However slight this percentage may be, Japanese exports to Indo-China have increased during the last three years, along with

JAPANESE TRADE WITH INDO-CHINA⁵¹

	1934	1935	1936
Exports to			
Indo-China	¥2,654,318	¥4,020,884	¥4,697,245
Imports from			
Indo-China	10,620,781	15,010,875	20,151,631

its imports. The bulk of Japanese exports consists of fresh fruits, vegetables, glassware, cotton goods and tea.⁵²

The importance of Japanese-French relations in the Far East, from the British point of view, lies in the fact that the Pacific coastline of Indo-China flanks the route from Singapore to Hong Kong. Moreover, on its continental side, Indo-China dominates the caravan routes leading to the oil fields of Burma and, through Yunnan, into British-influenced Tibet. Diplomatic rumors concerning a growing French tendency to withdraw from the East have consequently been viewed with alarm in British quarters. When Premier Blum took office in 1936 the British Foreign Office became nervous. *Augur*, the *New York Times* Downing Street correspondent, expressed British feelings at that point as follows:⁵³ "The policies of Premier Blum, or of any other administration in Paris with strong leanings toward Marxism, are a matter of concern from the point of view of British interests in the world. This applies to the position in the Far East. . . . The French Socialists are averse to employing force in any form to oblige native populations to remain under the French flag. This fact makes imperially minded people in London apprehensive. . . ." Fear was voiced lest a more independent Indo-China would be exposed to Japanese penetration, and it was declared that "if and when a Government of the Left in France thinks it fit to surrender its rights in Asia, British preferential rights on the Indo-China coast must have been reserved in advance."⁵⁴

British ties with the French colony have recently become closer. Since 1934 British shipping has taken the lead in the Indo-China trade, displacing that of both Japan and France;⁵⁵ and in 1936 Imperial Airways inaugurated a new service between Hong Kong and Singapore, with a stop at Saigon and Tourane.⁵⁶

Portugal has in the Far East only 7,340 square miles of the 930,000 square miles composing its colonial empire. Its Far Eastern possessions are Macao—only a few miles from Hong Kong—with a population of 157,000, and part of the island of Timor, doorstep to Australia, with a population of 475,000. Timor is said to have rich natural resources of copper, gold, oil and cotton which, however, are not being exploited. Both places have a strategic value in their immediate proximity to the key British positions of Hong Kong and Port Darwin. Japanese economic penetration of Macao is said to be considerable, and it has been rumored that Japan offered

46. *Far Eastern Survey*, January 20, 1937, pp. 15-22.

47. *Quarterly Trade Review*, cited, June 30, 1936.

48. "Les conséquences du développement économique du Japon pour l'Empire Français" (Paris, Centre d'Etudes de Politique Étrangère, 1936), pp. 30, 72-73.

49. *Quarterly Trade Review*, cited, June 30, 1936.

50. *Bulletin Economique de l'Indochine*, 39^e année (Hanoi), September-October 1936, p. 805.

51. *Monthly Returns of the Foreign Trade of Japan*, cited, December 1936.

52. *Quarterly Trade Review*, cited, June 30, 1936.

53. *New York Times*, July 5, 1936.

54. *Ibid.*

55. *Far Eastern Survey*, December 18, 1935, p. 206.

56. *Quarterly Trade Review*, cited, June 30, 1936.

to buy both Macao and Timor.⁵⁷ Portugal has hitherto refused these offers, partly because of its traditional friendship with Britain. In September 1935 the Governor of Macao, on a visit to Singapore, stated that Portugal knew that "Great Britain would not let Japan take Macao or any of our territories from us."⁵⁸

BRITAIN'S POSITION IN THE FAR EAST

Singapore, the largest British defense work east of Suez and the strategical center of the eastern part of the British Empire, is built up on the idea of monopoly. This monopoly, resulting from the geographical fact that Singapore dominates the only sea connection between the Indian and Pacific oceans, forms the basis of both its commercial and strategic value. Moreover, Singapore is situated in the center of a circle with a 2,000-mile radius which includes the rich tropical areas of the Dutch, British and French possessions with their vast resources and markets. The significance of Singapore for Britain's position in the East, however, lies in the fact that it safeguards the Indian Ocean against outside raids; that three-quarters of the land territory of the Empire is situated around Singapore; and that Singapore is the one point from which the whole of that area can be effectively defended and protected.⁵⁹

Britain has never had a Pacific battle fleet. Until recently, this section of the Empire was not considered threatened by an enemy. The only power which Britain feared in its Asiatic possessions during the last century was Russia,⁶⁰ and this threat vanished when Japan, with British financial assistance, blocked Russian imperialist expansion in the East in 1904-1905.⁶¹

Japan's advance as a world power after the war has given a completely new significance to Singapore. The inadequacy of British defenses in case of a clash between British and Japanese interests in the East made it necessary to strengthen Britain's position. Modern battleships must go into dry dock about twice a year, but the dry docks in Eastern waters could not accommodate the new bulged type of capital ships adopted after the battle of Jutland as an outcome of submarine warfare. Battleships operating in the East had to go to the West not only for routine cleanings but also for repair in time of war. The nearest dry

dock capable of taking modern battleships was at Malta, 6000 miles away. This not only greatly diminished the fighting strength of a fleet, but created the risk that a damaged ship might block the Suez Canal and cut off the Eastern navy from home supplies. For these reasons the establishment of a naval base in the East appeared more urgent than the actual dispatching and stationing of a battle fleet.⁶²

The British government considered Singapore—which combined a maximum of strategic possibilities with the facilities of a fine natural harbor—the most suitable point for the construction of a base. The tropical island of Singapore is about 20 miles long and 15 miles wide and commands the 9-mile-wide sea passage connecting the Indian and Pacific oceans. The mere closing of the passage to the East would prove an efficient measure to protect Britain's vast Indian Empire against any Eastern enemy. A fleet operating from Singapore could cover the Dutch, French and Portuguese colonies, Malaya and Siam. It could even provide a handicap for any power attempting to encroach on the Philippine Islands, while a southbound expedition aiming at Australia and New Zealand could be cut off and stopped by a flank attack.⁶³ In view of these circumstances, the British government decided in 1921 to establish a naval base at Singapore.⁶⁴ Work was not begun, however, and when shortly afterwards the victorious World War powers met at the Washington Conference the Singapore project was not mentioned by the British delegation. In the Washington treaty of February 6, 1922 Britain, the United States and Japan pledged themselves not to construct new fortifications east of the longitude of 110°. The prohibited zone included the British port of Hong Kong, but not Singapore, which is situated 355 miles west of that longitude. In 1923 the House of Commons passed the Singapore bill providing for an estimated expenditure of £10,500,000. Work was begun immediately and the base is by now practically complete. A huge dry dock was erected and a floating dock, able to house and lift ships up to 55,000 tons, was towed to Singapore from England. The new dockyard is capable of docking and repairing simultaneously two of the biggest ships in the navy. Most of the dredgers, power stations, offices and fortifications have been finished at Seletar, 15 miles from Singapore City, at a spot cleared from tropical jungle. By 1940 the entire base—the largest, best equipped and most strongly defended

57. In 1935 Japan was said to be ready to buy or seize Macao as an air base. *Far Eastern Survey*, February 17, 1937, pp. 45-47.

58. *Far Eastern Survey*, February 17, 1937.

59. House of Commons, *Debates*, Vol. 171, p. 203.

60. Cf. Straits Settlements, Correspondence (London, 1891); also *The Times*, September 7, 1936.

61. For detailed account, cf. *The Times*, September 7, 1936.

62. Vaughan Cornish, *Empire Review*, 1925, V. 42, p. 563

63. F. W. Mohr, *Geopolitik*, October 1925, p. 741.

64. House of Commons, *Debates*, Vol. 165, p. 249.

British base east of Suez—will be completed. Incidentally, four or five of the new battleships which Britain is now building are to be ready at the same time, releasing an equal number of battleships of an older type for use in the East. It is not impossible that the facilities provided by the Singapore base will be utilized by the British to station a permanent battle fleet in Eastern waters.

It has been one of the rules of British naval policy that naval bases should be few and strong. Current developments in international relations may create the necessity for making the Singapore base still more independent and self-sufficient. Italy's growing influence in the Mediterranean, coupled with the possibilities of its air force, have made British passage through that narrow sea a risk. One of the characteristics of Sir Samuel Hoare's policy as First Lord of the Admiralty has been the gradual withdrawal of the fleet from narrow seas into wide oceanic spaces. Britain today is again an "oceanic power," and the alternative route to the East—around Africa—is being investigated.^{64a} More emphasis will be placed on the mobility of the fleet and thus on strengthening the base of Singapore which is too remote to be reached promptly and safely in case of danger. Adoption of a two-hemisphere standard of naval strength was announced by Sir Samuel Hoare in March 1937 during a debate on navy estimates. The creation of an Imperial Pacific or Eastern fleet was called "the inevitable corollary" of this new standard. The minimum strength of such a fleet was assumed to be 94 vessels, including five battleships and representing a capital outlay of some £70,000,000. This cost would be in addition to the present navy estimates, which call for an expenditure of £105,065,000.⁶⁵ The growing importance of Singapore as an air base and vital link for commercial air lines adds to its state of preparedness for modern warfare.⁶⁶ Singapore's "monopoly," based on geographic facts, has been skillfully used by Britain.

The chief danger which threatens Singapore is the disappearance of this monopoly. The opening of a second sea connection between the Indian and Pacific oceans would shake the entire position of the British Empire in the East, and questions regarding the possibility of such a connection have been periodically asked in the House of Commons.

64a. *New York Times*, March 14, 1937.

65. Cf. Hector Bywater, *Daily Telegraph*, January 19, 1937; *The Times*, September 8, 1936; *New York Times*, March 13, 1937; and *The Manchester Guardian Weekly*, March 19, 1937.

66. Cf. *Malayan Year Book*, 1935, p. 168; *New York Times*, December 1, 1935; *Straits Budget*, September 24, 1936; and *Daily Telegraph*, July 22, 1936.

Britain has been particularly disturbed by rumors hinting at an agreement between Siam and Japan to cut a shipping canal across the narrow isthmus of Kra on the northern end of the Malay Peninsula. This isthmus, which is the divide between the Indian and Pacific oceans and represents the "neck" of Singapore, is only 25 miles wide at its narrowest point. The water level on both sides of the isthmus is the same, and the soft alluvial soil would present no particular technical or financial difficulties.⁶⁷ The isthmus—politically speaking—is part of the kingdom of Siam, the only independent native state in Southeastern Asia.

JAPAN'S RELATIONS WITH SIAM

Fear of a close Japanese-Siamese understanding has alarmed British circles ever since 1933, when Siam alone abstained from voting on the Lytton Report of the League of Nations condemning Japan for its action in Manchuria.⁶⁸ Recent years have been marked by fairly close cooperation between the two countries. Following the abdication in 1934 of Anglophile King Prajadhipok, the orientation of the suddenly modernized state, experimenting with a still young democracy, has been shifting eastward. In Siam's foreign trade, Japanese imports have conquered the leading place and are still increasing.⁶⁹ Systematic exploitation of Siam's little developed natural resources has been started by Japan. The Siamese government employs Japanese agricultural advisers, and plans for extensive cotton cultivation are being put into effect with "surprising rapidity."⁷⁰ A Japanese economic mission visited Siam in the spring of 1936 to promote the sale of Japanese goods and to arrange for a supply of Siamese raw materials such as cotton, rubber and tin, for Japan.⁷¹ Railway orders have been awarded by the Royal State Railways, and orders for submarines by the Royal Navy,

67. Ernest O. Hauser, "Britain Faces Japan Across Siam," *Asia*, February 1937, map, pp. 119-20. A canal connecting the bay of Sawee with some point on the Pakchan River would involve the smallest expenditure. Here the mountain ridge running the length of the isthmus leaves a gap which extends from coast to coast. For geographical obstacles hampering construction along other routes across the isthmus, cf. W. J. Ronan, "The Kra Canal: A Suez for Japan?" *Pacific Affairs*, September 1936, pp. 406-15. For a Japanese explanation, cf. Y. Yatabé "Our Place in Siam's Progress," *Contemporary Japan*, March 1937, pp. 558-65; and for the Siamese position, cf. *The Bangkok Times*, March 9, 1937.

68. League of Nations, *Official Journal*, Special Supplement 112, Vol. IV, p. 22.

69. 1934, ¥28,000,000; 1935, ¥40,000,000; 1936, ¥43,000,000. *Monthly Returns of the Foreign Trade of Japan*, cited, December 1936.

70. *Quarterly Trade Review*, cited, April 9, 1936.

71. *Ibid.*, June 30, 1936.

to the Mitsui Bussan Kaisha.⁷² Siamese authorities have recently shown a very unfavorable attitude toward the large Chinese community in Siam, and this attitude has been interpreted by the Siamese press "as a phase of the new nationalism and perhaps also a facet of the new orientation in Siam's foreign policy."⁷³ In 1935 twelve Siamese officers went to Japan to enter institutions for military training, and arrangements for the training of Siamese naval officers and cadets aboard Japanese vessels are reported.⁷⁴ In 1936 the Siamese Defense Minister visited Japan to inspect the Japanese defense system,⁷⁵ and a Japanese airplane on a good-will flight landed in Siam, carrying a letter from Japan's Foreign Minister Koki Hirota.⁷⁶ New Siamese consuls have been appointed since 1933 at Osaka, Kobe, Nagoya and Yokohama, while the Siamese Consulate General at Singapore was reduced in 1934 to a mere consulate.⁷⁷ Until 1931 there was not a single Japanese ship calling regularly at Bangkok. Today four recently built, high-speed, 6000-ton Diesel boats of the Mitsui line and three OSK steamers operate a fortnightly service between Japan and Bangkok. It is reported that Japanese interests have been bidding for control of the Bangkok Dock Company,⁷⁸ and the Bangkok branch of the Yokohama Specie Bank—the first Japanese Bank in Siam—was opened in July 1936.⁷⁹ Yet with Britain dominating the southern end of Burma, which would have to serve as part of the northern bank of the suggested canal,⁸⁰ and with Siamese finances based on a large reserve in sterling,⁸¹ the Japanese "after-thought, Siam,"⁸² is not likely to enter the stage of realization for the time being.

BRITAIN VS. JAPAN

Britain's security in the East is affected by several other factors. As long as the European situation remains tense, it will not be easy for Britain to fight singlehanded a well-equipped enemy 10,000 miles from England. The extent to which Britain looks on the United States navy as an asset in the

Pacific is purely a matter of speculation. In addition to tangible constituents of military and commercial security, however, there are certain intangible factors which make a comparison between the British and Japanese positions difficult.

Anglo-Japanese commercial competition must take into account a cheap yen and a low standard of living which here and there successfully overcome trade barriers and quota systems. There is, moreover, a marked difference between the British and Japanese capitalist systems. Both are built up on the idea of competing private interests. But the vertical structure of trade interests, which is a considerable source of strength to the Japanese business system, does not exist in Britain. The advantage of this vertical set-up has been proved in the Malayan rubber trade. When Japanese shipping firms were admitted to the Straits-New York Conference regulating freight tariffs on the Malaya-New York run in 1934, they were not interested in carrying rubber. Only three months later, Japanese ships carried 9.5 per cent of the total rubber cargo; in November 1935 more than 50 per cent was carried in Japanese bottoms and Western shippers began to fear a Japanese rubber transport monopoly.⁸³ This success was due not to the fact that the Japanese granted illegal rebates, but that close cooperation between Japanese buyers and brokers, shippers, underwriters and bankers reduced freight to a mere book entry. Japanese firms were in a position to pay up to half a cent more a pound in Malaya and, because of their inexpensive organization, to offer this rubber at competitive prices in the New York market. An appeal by the Singapore British press to copy the Japanese set-up and be content with smaller profits "in the interest of the Empire" proved fruitless.⁸⁴

In the political field, psychological factors behind the Japanese advance also have to be considered. The territories involved in Japan's southward drive are all colonial possessions of Western powers, with a large indigenous population ruled by a small white minority. In some places, as in the Netherlands Indies, colonial rule is "iron."⁸⁵ Colonial authorities would find themselves in a very difficult position if the native populations should support Japanese ambitions. Japanese propaganda has, in several cases, been bidding for native sympathies. When Dutch and Japanese interests clashed in 1934 at Batavia, the Japanese were

83. Straits Budget, August 20, 1936.

84. Straits Times, July 20, 1936.

85. Le Clair, "Japan's Trade with the Netherlands Indies," cited.

72. *Ibid.*, April 9, 1936.

73. *The Bangkok Times*, January 1, 1937.

74. *Far Eastern Survey*, May 8, 1935, p. 72.

75. *Ibid.*, July 15, 1936.

76. *The Bangkok Times*, December 15, 1936.

77. *Directory for Bangkok and Siam*, 1933, 1934, 1935-1936, 1936-1937.

78. Straits Budget, June 25, 1936.

79. *Quarterly Trade Review*, cited, January 5, 1937.

80. Cf. Hauser, "Britain Faces Japan Across Siam," cited.

81. *The Bangkok Times*, January 26, 1937.

82. *Japan Weekly Chronicle*, August 13, 1936. The possibility of Japan's putting a large land force on the Malay Peninsula and "working down from the north" was mentioned in the House of Commons in July 1923. House of Commons, *Debates*, Vol. 166, p. 2559.

ready to explain that "in view of the Japanese supply of sundry commodities at low prices and the benefit resulting therefrom, the exclusion of Japanese goods from the Dutch East Indies would be contrary to the interest of the masses in that country."⁸⁶ In September 1936 several Malay newspapers in British Malaya received complimentary copies of *The Japan Times*, which contained an article by Masanori Ito addressed to the "people of the East Indies"—meaning an area covering Malaya, Siam, the Netherlands Indies, French Indo-China and the Philippines.⁸⁷

Such statements recall the so-called "Pan-Asia" doctrine for a long time propagated in some Japanese circles, but of which little has been heard in recent years. This doctrine, which aims at the unification of Asiatic peoples under Japan's leadership was revived in 1936 in connection with new Japanese activities in Siam. Commander Ohno, Japanese naval attaché at Bangkok, was reported to have said that "there is a considerable number of protagonists in Siam of an Asiatic league, with Japan as its leader."⁸⁸ However this may be, the Pan-Asia doctrine, because of China's cool attitude toward it has not made great headway. Its chief sponsor, the Great Asia Association in Tokyo, numbers only about 300 members.⁸⁹

There are certain cultural relations, however, between Japan and other Asiatic peoples which, if developed, may provide assets for Japan. The Japanese delegate Yosuke Tsurumi, speaking at the Sixth Conference of the Institute of Pacific Relations in 1936,⁹⁰ stressed Japan's "cultural expansion" as a "very important factor" accompanying the political and economic phases of Japan's advance. Japan's cultural authority in southeastern Asia, in so far as it is a reality, is based to a large extent on a deliberate emphasis of religious unity. The idea of Pan-Buddhism propagated by the Shin sect, the most popular Buddhist organization in Japan, may prove an ideological force in this direction. Under the auspices of this sect, an international Pan-Pacific Youth Conference was held at Tokyo in 1934, with Buddhist monks of every Asiatic country attending it.⁹¹ Young monks of the militant Nichiren sect are busy going back and forth between Japan and Calcutta, boasting of

contacts in Indian circles, notably Mr. Gandhi. Five members of this sect were attacked near Shanghai immediately before the Shanghai incident of 1932. In Siam, where Buddhism is particularly strong, the Japanese ideology of Pan-Buddhism has met with response. The Siamese government has twice presented relics of Buddha to Japan, where they are kept in the Japan-Siam temple at Nagoya, and in the Honganji temple at Tokyo. In addition to this religious aspect, cultural relations between Japan and other Asiatic countries are consciously promoted by providing opportunities for scientific study, an increasing number of Asiatic students finding their way to Japanese universities. If this cultural advance should develop, Japan may command considerable ideological assets in several countries affected by the southward drive of the Japanese navy. These assets may play their part in furthering peaceful penetration of southeastern Asia.

CONCLUSION

Japan's southward expansion threatens the colonial interests of European powers which, except for Britain, are too weak to hold their own against Japan. Britain, which has a vital interest in the preservation of the status quo, is assuming or is urged to assume the rôle of protector of the French, Dutch and Portuguese possessions. A tremendous effort has been made to enable the British Empire to face the changing situation in the East: Britain spent more than £10,000,000 in fortifying Singapore—which today is practically impregnable—and is willing to spend an additional £70,000,000 on an Imperial Pacific Fleet. Outlying British dominions, as well as the colonial possessions of Western powers friendly to Britain, feel a new security. Japanese statesmen have assured the world that in the penetration of southeastern Asia exclusively peaceful methods would be employed,⁹² and there is no reason to question their sincerity. But should this policy change, the firm stand and effective measures of protection taken by Western colonial powers under British leadership make the success of a non-peaceful venture on the part of Japan highly improbable.

86. Eisaburo Kusano, *The Far Eastern Review*, June 1934, pp. 250-52. Lieut. Commander Tota Ishimaru (*Japan Must Fight Britain*, cited, p. 196), declares: "We could, for one thing, stir up the natives of the islands into revolt."

87. *Straits Times*, September 8, 1936.

88. *New York Times*, June 1, 1936.

89. *Christian Science Monitor*, January 16, 1937.

90. *Papers of the Yosemite Conference* (Institute of Pacific Relations, 1936), Vol. 16, Document 17.

91. British authorities, aware of the ideological potentialities involved in this movement, refused to issue a passport to the Reverend U. Uttama, the most popular Buddhist monk in Burma, who had been invited to the Conference. Uttama had lived in Japan and speaks Japanese.

92. Japan's Foreign Minister, Naotake Sato, at a reception given to 50 foreign correspondents at Tokyo on May 6, 1937, answered the question, "What is meant by Japan's southward advance?" with the statement: "We are advancing very peacefully. We have no idea of territorial acquisitions or colonization in the south. We want trade, that is all." *New York Times*, May 7, 1937.